

OGC HAS REVIEWED.

MEMORANDUM FOR: Acting Deputy Director (Administration)

SUBJECT : Relief for Agency Accountable and Disbursing
Officers for Shortages and Losses and Clarification
of Agency Procedures Concerning Shortages and
Overages

1. PROBLEM

- a. To establish Agency policy providing relief of individuals accountable for confidential funds in circumstances where losses occur when an employee is acting in the discharge of his official duties without negligence or malfeasance on the part of the individual.
- b. To revise the Agency regulations to set forth more completely and clearly the procedure for recording and reporting cash shortages and overages.

2. FACTS BEARING ON THE PROBLEM

- a. In the case of normal Governmental activities, certifying, disbursing, or other accountable officers have a means of recourse in the event a loss or shortage occurs which may bring them relief. For example, throughout the legislative history of this country, thousands of bills have been enacted by the Congress to relieve accountable officers of differences discovered in their accounts. Such bills, under appropriate circumstances, are frequently prepared and introduced by the Agency or Governmental unit by which the accountable officer is employed.
- b. In more recent years Congress has recognized the necessity for continuing authority and procedure whereby accountable officers may be relieved, under appropriate circumstances, from liability for shortages and discrepancies in their accounts without recourse to special legislation. Accordingly, legislation has been passed providing for relief of accountable, certifying, and disbursing officers under certain conditions. Examples of such legislation appear in Title 31 of the U. S. Code, Section 82a-1 titled "Relief of accountable officers of liability for loss" and Section 95a titled "Relief of disbursing officers of Army."
- c. In a memorandum (TAB A) dated 24 July 1953 from the Office of General Counsel to the Acting Deputy Director (Administration) the opinion was expressed with respect to a shortage in the [REDACTED] Station funds that "a strict accounting for the money is in order and that, lacking such accounting, the person charged with the responsibility for that accounting be held personally liable for the amount of the loss." This memorandum reaches the conclusion also that Section 1.4 (c) of the Confidential Funds Regulations does not reach a situation involving a payroll paid from unvouchered funds held in the custody of an overseas station.

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- d. It is currently required by [REDACTED], paragraph [REDACTED] that any shortages or overages of cash will be reported immediately by separate pouch to headquarters outlining all known circumstances. When a shortage report is received from a station, a staff study is prepared, addressed to the Office of the Deputy Director (Administration), recommending the disposition to be made of the shortage. When a cash overage is reported to headquarters from a field station, the sum is turned in to the U. S. Treasury as a Miscellaneous Receipt and identified as an "unexplained cash overage."

3. DISCUSSION

- a. Where a loss or deficiency of funds occurs while an officer or employee responsible for funds is acting in the discharge of his official duties without negligence or malfeasance on the part of such officer or employee, the officer or employee should be relieved from responsibility for the loss or deficiency.
- b. Provision for such relief may be obtained in appropriate circumstances by officers or employees of other Governmental agencies, or in connection with overt funding operations of CIA, either by separate relief acts passed by the Congress or under the authority granted to the General Accounting Office by law (31 USC 82a-1 and 95a).
- c. Similar provision is available at present under section 1.4 (c) of the Confidential Funds Regulations for application to losses or shortages of confidential funds of CIA; however, the recent opinion of the Office of General Counsel precluded the application of this section as a basis for relief to payroll activities involving the disbursement of confidential funds. Where a loss occurs in such payroll activities through no negligence or malfeasance on the part of the employees it would not be practicable from a security viewpoint to request relief from outside the Agency; therefore, a need exists for appropriate consideration of all cases involving personal pecuniary liability or losses or shortages of confidential funds of the Agency.
- d. The submission by means of a separate staff study of each individual shortage case, regardless of the amount involved or negligence or malfeasance on the part of the individual employee, to the Deputy Director (Administration) for his determination of the action to be taken requires excessive time of both the Office of the Comptroller and the Deputy Director (Administration). Substantial savings could be accomplished by the delegation to the Comptroller of authority to take final action on those shortage cases involving small amounts and concerning which there is no evidence of negligence or malfeasance by the individual employees accountable for the funds. With respect to shortages involving substantial amounts for which there is evidence of negligence or malfeasance, complete consideration of all factors concerning the shortage should be given by each affected office in the Agency before final determination is made as to the action to be taken in the case. This

type of consideration can best be effected by review of the circumstances surrounding the shortage by representatives of the affected offices sitting as a group, who would recommend to the Deputy Director (Administration) the disposition to be taken by the Agency.

4. RECOMMENDATIONS

That Agency policy and procedure incorporating the recommendations contained in TAB B, attached, be established to provide:

- a. Standards and criteria for investigating, reporting, and accounting for losses, overages and shortages.
- b. That a board be established to review and recommend action in all cases involving substantial losses or shortages of funds and in cases involving small losses or shortages where negligence or malfeasance is evident.
- c. That regulations and criteria be established for use of the board which would enable it to recommend to the Deputy Director (Administration) relief to individuals in connection with any loss or shortage of funds that does not involve negligence or malfeasance on the part of the individual.

/s/
[Redacted]
Acting Comptroller

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ATTACHMENTS
TABS A and B

ACTION BY APPROVING AUTHORITY:

APPROVED:

Date

Acting Deputy Director
(Administration)

25X1A [Signature]
[Redacted] (16 November 1953)
Rewritten FWG/gmk 23 November 1953
Distribution:
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